

## *Lansing State Journal*

April 15, 2008

# Wolfram: Time to sever Accident Fund ties to Blues

## Spin-off should be price of approval to enlarge fund

The LSJ made an excellent suggestion (April 11 editorial) regarding Blue Cross Blue Shield of Michigan selling off the Accident Fund.

When the Legislature passed the bill allowing BCBSM to purchase the Accident Fund in 1993, it was aware that this could create an unlevel playing field in workers compensation and attempted to establish three things.

First, that if BCBSM made a purchase, that purchase price would have to have added to it the taxes that BCBSM would have paid in accumulating the money to buy the Accident Fund.

Second, that the Accident Fund could only stay in the workers compensation market, as this was the purpose of the Legislature establishing the Accident Fund in the first place in 1912.

Third, knowing that BCBSM might use its assets earned tax-free to compete with other firms that are paying taxes it attempted to create some firewalls between Accident Fund and its parent.

What we find after 14 years of ownership is that BCBSM has been able to use its assets that were accumulated tax-free to aid its subsidiaries. One of its subsidiaries, LifeSecure, received \$13 million in December 2006 that was then used by LifeSecure to purchase a company. And the Accident Fund received \$125 million to purchase a California company in 2007.

One can easily see that having a parent that can accumulate assets tax-free and then send these on to you gives you a distinct advantage over your competitors.

It is time that the Accident Fund move into other lines of insurance, but only as a stand-alone company.

To allow BCBSM to compete through its subsidiaries in other lines when it has a 70 percent market share in Michigan commercial health insurance and is tax-exempt will create distortions in the insurance market that will result in greater concentration, higher prices and higher cost of doing business in Michigan.

All of this would be resolved through a spin-off of the Accident Fund - and using the proceeds of the sale to reduce the subscriber premiums.